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## INVESTIGATIONS AS A MEANS OF SECURING ADMINISTRATIVE EFFICIENCY

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Our American cities have been seriously afflicted with corrupt or unrepresentative councils and with dishonest or inefficient administrations. Until recently public interest has centred around efforts to secure honest councils or honest administrators. Only within the last few years has attention been directed to the importance of efficiency as well as honesty in the administration. The general laxity and easy tolerance of politics, the corrupt practices of the political contractor in the field of public works, of the underworld in the department of police, of the public service corporations with reference to agencies of administration charged with their supervision, have combined to make our municipal administrations, generally speaking, highly expensive and inefficient. We are slowly advancing from "gray wolf" dishonesty, to "dub" honesty, from honest incompetency to business efficiency. More attention has been given to the subject of efficient administration in our American cities during the last ten years than in any previous period of our history, and striking results have been obtained in many of our cities. Official commissions like those of Boston and Chicago, Bureaus of Municipal Research in New York, Philadelphia, Cincinnati, wide-awake administrations like those of Philadelphia, Cincinnati, St. Louis and Milwaukee; and commission governed cities like Galveston, Des Moines, and a hundred others, have attacked this problem and have obtained notable results. I have been asked to speak of the work done in Chicago and Cook County.

Six years ago it was my privilege to make for the City Club an inquiry into the municipal revenues of Chicago.<sup>1</sup> At that time there was serious discussion as to whether revenues or expenditures should be taken up, but the lot finally fell upon revenue. In the Charter Convention which met shortly after this, I introduced and secured the passage of a resolution calling for an inquiry by the

<sup>1</sup> City Club Publications, Municipal Revenues of Chicago.

council into city expenditures; but no such action was taken. In the second Charter Convention I again introduced and secured the passage of the same resolutions, but with the same result. In 1909 an effort was made by representatives (including the writer) from various clubs to organize a Bureau of Municipal Research for the purpose of inquiring into the expenditures of the city and other local governing bodies; but this effort also was abortive. In the same year I entered the council and in this capacity, as alderman, was able to bring about the investigation.

It so happened that the legislature of 1909 increased the borrowing power of the city by about \$16,000,000, and conditioned the issue of new bonds upon a favorable referendum vote. On the Monday following the signing of this bill, I introduced a resolution calling for comprehensive inquiry into the expenditures of Chicago. I stated that as a referendum vote was soon to be taken upon city bonds, such an investigation was entirely appropriate. If the finances of the city were in good condition, the people should be so informed; and if in bad condition the voters were equally entitled to the information. To vote down the resolution and to pass it were equally dangerous, but it was finally decided to pass it. On June 28, 1909, the ordinance passed as follows:

That the mayor be and he is hereby authorized to appoint a commission of nine persons, of whom not less than three shall be members of the city council, for the purpose of making a comprehensive inquiry into the expenditures of the city of Chicago, and of making appropriate recommendations to the mayor and the city council upon this subject;

That all the heads of departments, and city officials and employees, are directed to supply, on request of said commission, all books, documents, and other information in their possession relevant to the purpose of such inquiry.

The following persons were appointed by the mayor: Aldermen C. E. Merriam, Bernard W. Snow and Nicholas Finn; Walter H. Wilson, City Comptroller; Frank I. Bennett, former chairman of the Finance Committee; Walter Fisher, special traction counsel for the city (now Secretary of the Interior); John W. Alvord, M. Am. Soc. C. E., now president of the Western Society of Engineers; Wm. A. Tilden, David R. Forgan, George Tunell and A. C. Bartlett. The appointment of a representative of labor was agreed upon, but not made. As the originator of the movement, I was elected chairman of the commission; Spurgeon Bell was made secretary. A

steering committee of four was appointed for the purpose of preparing and presenting material to the full commission. This committee consisted of Aldermen Merriam and Snow, Walter Fisher and George Tunell. An appropriation of \$10,000 was made for the work of the commission, and this was later increased by an appropriation of \$50,000. An attempt was made to enjoin the commission from the use of these funds, but Judge Windes declined to grant the injunction.

The work for the commission was done by capable experts and investigators employed for that purpose. The work on the city budget was done by Herbert R. Sands, who had been employed in a similar capacity by the New York Bureau of Municipal Research; on special assessments, by Mr. Dickinson, of Price & Waterhouse, Mr. Peter White, of the New York Bureau of Municipal Research, and Mr. Betak; on sewer cleaning and shale rock, by Benjamin Welton, of the New York office of Commissioner of Accounts; on the Department of Electricity, by W. H. Zimmerman & Co., of Chicago; on water works, by Dabney H. Maury, M. Am. Soc. C. E., president of the American Water Works Association; on street paving, by Samuel Whinery, M. Am. Soc. C. E., one of the best-known paving engineers in the country; on street cleaning, by Richard Fox, head of the Citizens' Street Cleaning Bureau and one of the best authorities on that subject; on the southwest land and lake tunnel, by Mr. Alonzo Z. Hammond; on bridges, by Mr. W. Curtis. Preliminary investigations were followed in most cases by public hearings before the commission, at which opportunity was given for explanation of conditions disclosed by the inquiry, or for obtaining further pertinent information.

The reports of the commission, as soon as completed, were transmitted to the mayor and the council. They were also printed and circulated, with the exception of the reports on water, street cleaning, special assessments, civil service and pensions. Because of the ruling that the life of the commission ended on April 17, 1911, these were not printed by the city, but were printed by the Chicago Bureau of Public Efficiency. In all 21 reports were presented as follows: (1) Budget; (2) purchase of lumber; (3) Lawrence Avenue sewer; (4) purchase of coal; (5) Bureau of Sewers; (6) Bureau of Bridges; (7) City Clerk's office; (8) City Purchasing Agent's office; (9) purchase of castings; (10) Fire Department;

(11) Police Department; (12) Building Department; (13) House of Correction; (14) Department of Electricity; (15) street repairing; (16) street paving; (17) street cleaning; (18) Southwest Land and Lake Tunnel; (19) special assessments; (20) civil service; (21) pensions. They may be obtained by applying to the office of City Statistician, Chicago.

### *City Budget*

One of the first pieces of work undertaken by the commission was the revision of the methods of city budget making. Under the old system many of the appropriations had been made in lump sums in such a way as to make effective control of the appropriation impossible. By way of illustration, in the Police Department \$205,000 was appropriated in the 1909 budget under the following title:

For repairs and renewals of wagons and harness, replacement and keep of live stock, identification, police telegraph expenses, rents, repairs and renewals of equipment, hospital service, printing and stationery, secret service, light and heat, and twenty-five more horses and equipment for mounted police and for repair of Hyde Park Station; also other miscellaneous expenses, the sum of \$205,000.

We subdivided this under various heads in the 1910 budget as follows: (1) General supplies; (2) material for repair and replacements by departmental labor; (3) repairs and replacements by contract or open order; (4) apparatus, machinery, vehicles, harness, etc.; (5) purchase of furniture and fittings; (6) purchase of horses; (7) rents; (8) fuel; (9) forage, shoeing and boarding horses; (10) all other operations.

Another illustration may be given from the Bureau of Sewers. In the 1909 appropriation, \$200,000 was appropriated under the following caption:

Cleaning sewers and catch basins, District No. 1, old city wards 1 to 5, 9 to 11, and 16 to 23, inclusive. District No. 2, Town of Lake, wards 29 to 32, inclusive. District No. 3, Town of Hyde Park, wards 6 to 8 and 33, inclusive. District No. 4, Lake View, wards 24 to 28, inclusive. District No. 5, Austin and part of old city wards Nos. 12 to 15, 34 and 35.

This enumeration of districts included all the wards of the City of Chicago, and they might just as well have read "for the City of Chicago, Bureau of Sewers, \$200,000." We subdivided this into a

number of heads in order to ascertain definitely what particular portion of money was appropriated for each purpose, and also to control the fund designated during the entire fiscal year.

We were successful in having the entire budget of the city reorganized on this new basis, giving us the most scientific and up-to-date budget which we have ever had. This method was adopted by the Finance Committee, and the budget was approved by the City Council of Chicago. Accounts were set up corresponding to the different subdivisions of appropriations. The consequence was that last year we had much more effective control over the city finances than ever before.

We also succeeded in making another budget change. For many years it had been customary to appropriate a much larger amount than would be available during the year. These were called "hot air" or "paper" appropriations. They served no useful purpose and were mischievous in their influence on the city's finances. This system placed a premium upon early expenditure of funds by a bureau or department. The chief who carefully conserved his appropriation for supplies or labor might discover in October or November that city funds were exhausted, while the careless head who spent his funds early in the season met with no such disappointment. The inevitable effect was detrimental to economical expenditure.

The action of the commission made it possible to squeeze some of the water out of the city budget, and consequently the temptation to spend departmental funds early in the season was greatly weakened. The effect upon the city's finances was excellent, as it enabled the careful bureaus to follow a policy of thrift and saving without being punished for it at the close of the year. One of the indirect consequences of this work was the defeat of the budget in 1911 because of the fact that it contained an over-appropriation so large that it would have broken down the new system.

### *Contracts and Purchase*

One of the important branches of the commission's work was the investigation of purchases of material and supplies, and the letting and enforcement of city contracts. This involved an examination of the office of the City Purchasing Agent, and of contracts

for material and work in the various departments of the city government, particularly the Department of Public Works.

Purchases of material and supplies for the various departments are made through the City Purchasing Agent's office, when the amount is less than \$500, without a formal contract. Inquiry into the operations of this office disclosed the existence of many serious abuses. One of these was the so-called "split requisition." This is a device for evading the requirement that purchases above \$500 in amount be made by contract. For example, a purchase of \$10,000 is split into sums less than \$500, and no public bidding is required on contract made. In the case of castings, a contract for which bids had been taken by the Department of Public Works was ignored, and material was purchased by split requisitions at a higher figure than the contract called for. This transaction alone cost the city about \$64,000.

It was also discovered that a large miscellaneous business was given to a political brokerage firm whose president was the private secretary of the (then) mayor. This company was upon the favored list and sold a large quantity of miscellaneous articles at high prices to the city. In the case of oils, it was found that prices paid were higher than offered by other companies, and the material furnished uniformly below specifications, as shown by the city's own tests. Purchases of coal, grain, etc., showed similar irregularities, and demonstrated clearly the demoralized and unsystematic condition of the office. The press demanded the resignation of the purchasing agent, but no action was taken. In view of this situation I did not press the commission's ordinance providing for a central purchasing agency, increasing the power and responsibility of the head.

Purchases by contract were carefully examined by the commission. This inquiry covered the drafting of the specifications, the bidding upon the specifications, and the actual enforcement of the terms of the contract. It showed the existence of conditions which were enormously expensive to the taxpayer, and a disgrace to the city. It is unnecessary to discuss these at length, and I shall touch upon them only for the purpose of illustrating particular points.

In the street-repair contracts, declared by our expert, Mr. Samuel Whinery, to be the most openly fraudulent he had ever seen, the chief difficulty was with the specifications and the bidding.

The unbalanced bid was the chief source of trouble. The specifications in this contract provided that "no bid will be accepted which does not contain an adequate or reasonable price for each and every item named in the schedule of prices."

Repairs were divided into two classes: Class A included repairs where any surface and binder were required; Class B included repairs where in addition to surface and binder, a 6-in. Portland cement concrete base was required. The successful contractor bid \$1.75 per sq. yd. for Class A and 1 cent per sq. yd. for Class B. Averaging the bids, the result is 88 cents, and this contractor was accordingly awarded the contract. If, however, the bid of the next lowest company had been accepted, the city would have saved \$147,183, using the estimates on which payment was actually made. These figures were: Class A, \$229,891; Class B, \$12,064. The percentage of Class B to Class A repairs during a series of years is as follows and is very significant:

1903.....	344.2	1906.....	132.9
1904.....	200	1907.....	4.3
1905.....	336	1908-9.....	5.2

Mr. Whinery estimated that repairs at the intersections of Forty-fourth Avenue, which actually cost \$2,997.91, should have cost \$11.88. Evidently the methods of measurement of areas repaired and the classification of repairs were not calculated to protect the interest of the taxpayer.

In the case of street-paving contracts, the difficulty was double. In the first place, specifications were imperfectly drawn; notably in the case of wood-block specifications, which were so arranged as to invite a monopoly of the business. In the second place, the enforcement of the contract requirements was defective, as the inspection of the work was shown to be grossly inadequate. Case after case of improper work was reported under the very eye of the city inspector, indicating extreme laxity in inspection, and suggesting connivance between certain contractors and inspectors.

In the street lighting contract, providing for 6,000 gasoline lamps, the difficulty was with the inspection. The city did not even possess the "portable photometer" necessary to make the tests, and allowed the contractor a free hand. Our tests showed that instead of a guaranteed candle power of 60, the average was 19 as shown by one set of tests and 26 by the other. No deduction was



made for failure to furnish the light guaranteed and the loss incurred from this cause was estimated at \$85,000.

### *Shale Rock*

In the shale rock case, 23,000 cubic yards of rock excavation, one-fourth of the total excavation, was paid for at \$2 per yard, where borings and tests by the city, by the commission and later by the office of the state's attorney showed clay formation. In this case the inspection of the work was again at fault, as more careful investigation of the quality and quantity of material taken out would have prevented the difficulty which arose.

In the purchase of coal, the typical defects were almost all disclosed. The specifications were antiquated, the system of tests provided was out of date, the enforcement of the tests was lax, while the system of checking bills rendered (in the Fire Department) was inadequate to the point of absurdity. Discrepancies discovered in this connection were of three principal varieties: rejected items, varied items, and inserted items. A case involving all three sorts was disclosed at one fire engine company. On April 24 (under ticket No. 4,847) coal to the amount of 232,200 lbs. was received and entered on the books of the company. This was paid for three times; on the charge of that date, on the repeated charge of May 25, and on the charge of May 29, which include a second repetition of it. Other illustrations of the practice are given in the commission's report on the Fire Department.

The purchase of hose in the Fire Department is an illustration of a different kind. In this case the material, mainly hose, was purchased without any definite specifications, but by the market brand. The brokerage company already mentioned again figures as one of the firms whose brand was acceptable. The specifications of the National Board of Fire Underwriters have since been adopted, with some modifications.

An entirely different class of contract was that unearthed in the House of Correction. We learned that contracts for convict labor are made at the absurdly low rate of 25 cents per day per man in certain cases. It was found that 60 to 100 men are employed at 25 to 35 cents; 60 to 100 at 40 cents; and 60 to 100 at 50 cents. No bids for the services of prisoners have been solicited and there was no competition in awarding the contracts.

The Southwest Land and Lake Tunnel of the water-supply system was another illustration of inadequate inspection service. The investigators of the commission disclosed the fact that the concrete lining of the tunnel was in many instances below the contract requirements as to thickness. Difficulties encountered in Sections 1 and 2 of this tunnel had led to the framing of stringent specifications, but notwithstanding this experience, lax inspection nullified the new specifications. Investigation also showed that the quality of concrete used and the methods of applying it were not such as were called for by the plain provisions of the contract.

These evils may be grouped in a general way as follows: (1) Defects in the specifications themselves, due either to careless continuance of old specifications or to collusion with contractors. (2) Failure to secure wide competition from a number of bidders. (3) Failure to enforce the terms of the contract either because of general inefficiency of inspection or because of collusion with contractors.

### *Pay Roll and Labor*

The commission's investigation covered the efficiency of expenditure for human service in many important departments. The police force and the law department were important exceptions. Special attention was given to the Bureau of Sewers, the Bureau of Streets, the Bureau of Bridges, the water-pumping stations, inspection services in the several departments, and the practical workings of the Civil Service Law.

The first inquiry covered the Bureau of Sewers and was conducted by Mr. Benjamin F. Welton, who had been carrying on similar work in the office of Commissioners of Accounts in New York City. He undertook to test the efficiency of the sewer-cleaning gangs of the city in a series of observations, public and private. His investigators reported to him a deplorable state of affairs in this branch of the city's service. His tables showed that under secret observation the working time of the men was forty per cent and the wasted time forty-six per cent (waiting and unaccounted for constituting the balance), while under open observation their working time was 76.4 per cent and the wasted time 13.8 per cent. He reported that a "fair estimate of the existing pay-roll waste would be not less than sixty-five per cent of the labor pay-roll expenditures."

Testimony subsequently taken before the commission and before the Civil Service Commission confirmed the report of wholesale waste in the work of catch-basin cleaning.

An examination of the water-pumping stations, conducted by Mr. Dabney H. Maury, president of the American Water Works Association, revealed the existence of padded pay rolls. After a thorough investigation of the water-works system he submitted a report on the whole situation, analyzing the conditions as he found them, and presenting constructive recommendations for enforcement of the service. His report showed enormous waste in the operation of the water-works as well as failure to reach proper standards of practical efficiency in service. On the pay roll of the pumping stations, amounting to \$397,862, Mr. Maury recommended reductions amounting to \$75,760 according to one plan, and \$171,242 according to another plan. He recommended changes in the equipment of the stations which would produce an annual saving of about \$140,000; and changes in the purchase of castings which would save \$38,082. With a modern type of hydrant he showed that it would also be possible to save about \$40,000, the cost of annually packing our hydrants with manure for protection against frost.

Mr. Maury also called attention to the fact that in 1905 Chicago was obliged to pay \$1,250,000 extra fire-insurance premiums on account of water-works deficiencies. His report also called attention to the enormous waste of water actually pumped. This amounts to about sixty-six per cent of the total pumpage. It is estimated that thirty-three per cent of the water pumped is lost before it reaches the consumer, and thirty-three per cent is lost by leaky fixtures and otherwise after reaching the consumer. Mr. Maury also called attention to the wide discrepancy between the test duties of the engines at the pumping stations and the station duties as reported. With few exceptions these engines are all of types that should give test duties running from 100,000,000 to 180,000,000 ft.-lbs. for 1,000 lbs. of steam. The average station duty is below 79,000,000 ft.-lbs.

Examination of the Division of Bridges and Harbors by Mr. Walter H. Curtis showed similar results. His report states, for example, that the painting of bridge houses cost about five to seven times a reasonable price. Observations and estimates on other

work done in this division showed a loss of about fifty per cent in efficiency as measured by ordinary standards. As one of our investigators reported, referring to certain men, "they expressed their opinion freely of the commission, but that they did not care what was found in the report, as they were safe under their boss, who had instructed them to continue their work in their usual way, and not sweat blood." In the harbor section of this division it was reported that half of the pay-roll expense could be eliminated, amounting to \$7,640.

One of the most important reports submitted to the commission was that made by Mr. Richard T. Fox on the Bureau of Streets. Our investigators were at first refused access to the bureau records by the acting superintendent, but facilities for investigation were afforded later. One of the striking features of this report was the evidence of lack of standardization of work. For example, one street sweeper cleans 10,970 sq. yds. of asphalt in good condition, with a horse traffic of 351 in eight hours. Another cleans 15,190 sq. yds. in similar condition with a horse traffic of 699. Another sweeper cleaned 14,920 sq. yds. of brick in poor condition with a horse traffic of 1,406, while another cleaned 9,500 yds. in good condition with a horse traffic of only 495.

Investigation of street sweepers' work showed (after all necessary and reasonable allowances) a loss of twelve per cent in time. This amounts to about \$120,000 a year. Much of the time put in, however, was not properly employed. Investigators' reports show that forty per cent neglected their work to a very noticeable extent.

The time lost by the garbage teams observed was 22.5 per cent, a loss to the city, as calculated by Mr. Fox, of about \$70,000 a year. The ash teams lost in time, 13.7 per cent, or the equivalent of about \$70,000 a year. These teams are one of the last big things left in the way of political patronage, and naturally it is difficult to secure economy under such conditions. Between June, 1907, and March, 1910, seventy-one per cent of the teams in service were replaced, obviously for political reasons. Mr. Fox submitted detailed and important recommendations regarding the reorganization of the whole service.

In the Department of Electricity, the gas-lighting service maintained by the city was found to be in poor condition. Of 956 mantle gas lamps inspected, only sixty-two per cent were in condition which

could be called passable. The following table indicates the results found.

INSPECTION OF GAS LAMPS IN CHICAGO.

Good .....	173	20.2%
Fair .....	350	40.7%
Bad .....	229	26.7%
Very bad.....	82	9.69%
Out.....	24	2.8%
No chimney .....	62	7.2%
Broken glass.....	36	4.2%

Our expert reported that "It is highly probable that the light in case of mantle and open flame lights could be increased fifty per cent should the proper care for which the city is paying be given the lamps."

*Lax Administration of the Building Department*

The inquiry into the Building Department revealed the existence of serious disorganization and widespread demoralization of the service. The system of records was found to be incomplete, the inspection of buildings, elevators and fire escapes in many instances ineffective, the prosecution of violations of ordinances open to severe criticism. In 147 suits filed during thirteen months, only seven convictions were secured. Thirty-eight cases had been continued five or more times, and 121 cases continued from one to thirteen times before final disposition. The commissioner himself, when examined, was unable to describe in even a general way the manner in which several of the important functions of this department were administered, and showed an utter lack of familiarity with his department.

The commission, in its report, declared: "Your commission is of the opinion that the present commissioner of buildings is incompetent to longer hold his office."

Reference has already been made to the inadequacy of the inspection service in connection with the enforcement of contract provisions. In all inspection services, whether the inspector deals with supplies and material, or with the enforcement of contract provisions, as to method of performing work, the city is likely, as shown by our investigation, to receive less than full value for the money expended. The possibility of collusion with contractors,

and the general atmosphere of political influence make vigorous and effective inspection difficult. The diligent and impartial inspector is likely to make trouble for himself, and incurs a serious danger of removal or transfer; or he may fail to secure deserved promotion; or he may be subjected to the process of making it unpleasant for him—a step which is intended to get rid of the offender. It is clear that where a contractor is influential with the department or the administration, great pressure is brought to bear upon the inspector to relax his vigilance. The effect of this in the long run is to produce a demoralized condition in the entire service.

### *Special Assessments*

Investigation of the special assessment accounting work of the city by Mr. Dickinson, president of Price, Waterhouse & Co., assisted by Mr. T. W. Betak, showed a considerable duplication of work. It appeared that men in the Board of Local Improvements, the comptroller's office and the collector's office were carrying accounts which were in some instances duplicates, and which need not be carried more than once under a proper system. It was estimated that approximately \$25,000 might be saved if the accounting system in these departments were reorganized.

### *Civil Service Methods*

The commission's inquiry also covered the practical operations of the merit system. This was one of the first inquiries made into the real workings of a municipal civil service system, and developed facts of great importance not only to Chicago, but also to other cities operating under similar systems.

This inquiry did not cover comprehensively such aspects of the operation of the system as are not matters of record. In order to make the work complete, additional funds would have been necessary and investigators trained to do detective work. Even with these important limitations, the investigation was thorough-going enough to give a fair idea of the present workings of the system and to serve as a basis for recommendations as to changes.

In certain respects, important advances have been made recently in the workings of the merit system. This is particularly true of the system of regrading positions in accordance with the duties of the respective offices, as described in detail in the report

of the commission's investigators. The effort of the recent commission to standardize the requirements of examinations, and the methods of making them as well, is distinctly creditable. The establishment of the Efficiency Division since the beginning of the commission's investigation is an important step in the direction of high standards of public service.

In other important particulars, however, there was found to be room for immediate improvements. The present system of advertising Civil Service examinations fails to provide for proper publicity, and, in this way, limits the field of applicants, especially for the higher positions. As shown by the statements in the investigator's report, there is a dearth of candidates for many important places, which can be accounted for by a general lack of information regarding the examinations. This is a serious restriction upon the merit system, and, until some method of providing adequate publicity for these examinations is found, the opportunities for public service remain practically unknown to the average citizen.

The practice of sixty-day appointments is also a matter of very great importance. While many of these appointments are made for perfectly legitimate reasons, in other cases this does not seem to be true. To the extent that these preliminary appointments are made on a political basis, and for the purpose of providing information and experience to be used in a subsequent examination, it is clear that the purpose of the merit system is defeated.

### *Favoritism Not Eliminated*

The conduct of the examinations for certain offices does not reflect credit on the commission appointed and paid for the purpose of maintaining merit as distinguished from political favoritism. The most conspicuous case of this character is found in the selection of the city statistician, who obtained a mark of 50 on a simple examination in arithmetic. The method in which certain positions in the Bureau of Engineering and the place of city architect were filled is of the same general nature.

In the case of labor service, the situation is distinctly discreditable. The appointments in this division, instead of being on a merit basis, are, in the main, very plainly political. The observance of a number of solemn forms in this connection by no means adds to the dignity of the Civil Service system of Chicago. That laborers

should be led to present themselves at the commission's office, or physician's office for physical examination, and, later, upon notification, go to the ward superintendent's office in search of a position, when, as a matter of fact, the appointment is determined by political recommendation, is extremely unfortunate. Day laborers ought not to be invited or permitted to spend their time and money searching for positions which it is wholly unlikely they will ever secure.

The fact is, that by various acts the Civil Service Commission has created a general idea that appointment and promotion in the city service are not wholly based on the merits of the individual candidate, but depend to a very considerable extent upon political influence. The city employee is likely to get the idea that his best hope for advancement in the city's service lies in the strength of his political backing, rather than the faithfulness and efficiency of his performance of his official duties. Whether or not this is wholly true or applicable in a large percentage of cases, if the impression prevails that it is true, the effect is about as injurious to the city service as if it really were the case. This idea can be dispelled only by such unmistakable action on the part of the commission as will make it absolutely clear that that commission stands for the thorough-going application of the merit system in all cases.

### *City Pension Systems*

A unique feature of the commission's work was an inquiry into the city's pension system. The different pension plans were analyzed with a view to possible improvement in conditions. It was found that none of the funds had ever been carefully examined by an actuary, and all are more or less guess-work. The statutes governing the funds are defective in many particulars, notably in respect to refunds. In the case of firemen and policemen no refund whatever is provided. The administration of these funds by several boards is complex, cumbersome and expensive. Some form of consolidation would save time and money for the pensioners and the city.

An illustration of this was found in the case of the police pension fund. The commission's inquiry showed that, although this fund amounted to about \$600,000, no interest was received from it. It was also found that an attorney for the board was paid \$5,000 a year for his services, although this work was formerly performed



by the staff of the corporation counsel's office. The bond of the treasurer was fixed at \$40,000, and no outside audit of accounts was made by an independent firm.

The investigator for the commission recommended the adoption by the city of a superannuation system to cover all employees. The present annual expenditure of the city for pension purposes is about \$700,000, and the additional cost is roughly estimated at \$400,000, or on a contributory basis, about \$200,000. A considerable number of men now carried on the pay rolls are in effect "pensioners." These are persons who have long been in the service, and are wholly or partly incapacitated for the active performance of their duties, but are carried at full pay. Their retirement on half pay would have strengthened the service and been a decided economy for the city.

Entirely aside from the humanitarian considerations involved, it would improve the efficiency of the service, if a pension were made to cover all employees. The practice of large private corporations indicates that business motives alone justify the adoption of the pension system. Such plans have already been put into practical effect by London, Paris, Berlin, and other large municipalities, and it can only be a question of time until the same step is taken by Chicago.

### *Results Secured*

The results accomplished by the work of the commission were substantial and important, although short of what might have been obtained with proper backing.

The segregated budget system, which was adopted, gave the city more complete control over expenditures, and in this way made possible great economies, especially in connection with the other work of the commission.

Other immediate results were the relief of the public from the payment of about \$10,000 a year in fees formerly the perquisite of the city clerk. The Police Pension Fund Board was reorganized, and interest amounting to about \$25,000 a year was added to the fund, while a suit for payment of back interest was instituted. During the investigation the pay roll of the water pumping stations was reduced to the extent of \$35,000, a new engineer was placed in charge of the stations, and an effort made to reorganize the system.

As a result of the commission's recommendation, the Commis-

sioner of Public Works and the Deputy Commissioner resigned and were replaced by more efficient men. The Superintendent of Sewers was discharged by the Civil Service Commission, and his place filled by a more capable man, Mr. Hill, of the Board of Local Improvements. The Superintendent of Dumps was discharged by the Civil Service Commission. The recommendations of the commission in respect to the City Purchasing Agent and the Commissioner of Buildings were, however, wholly ineffective.

The amount of work done in the various departments materially increased under the stimulus of the inquiry. This was particularly noticeable in the Department of Public Works, where the greatest wastes were found, and where there was consequently the greatest opportunity for improvement.

The improvement in city contracts was general. In practically every department old specifications were reconsidered and revised, and their enforcement somewhat more carefully looked after. A noticeable instance of this was the coal contracts, which were brought up to date, purchases being made on the British Thermal Unit Plan, and the enforcement of specifications being carefully guarded. The enormous frauds and waste in connection with the purchase of coal were checked, and large sums saved to the city. The price of castings was cut in two, resulting in an annual saving on this item alone of \$25,000.

Hay and grain specifications were revised and placed upon a different basis. In the Fire Department competition has been introduced for the first time in twenty years, and the quality of the materials delivered was substantially improved. The system of purchasing hose in the same department was also revised to conform to the specifications suggested by the National Board of Fire Underwriters.

The gasoline lighting contract in the Department of Electricity was revised and more attention given to inspection; with the result that for a time at least lights were kept up to the standard set by the contract.

Under the stimulus of the investigation the contract with the Drainage Board for use of its electric power for lighting purpose (which contract had been mysteriously lagging for several years) was suddenly completed. This arrangement will add 10,000 new lights to the city's equipment at a cost of only twenty per cent more

than is now paid for over 12,000 lights. The transfer of the Thirty-ninth Street, Lawrence Avenue, and Wilmette pumping stations to the Sanitary District is another illustration of the same tendency to activity under the influence of the commission inquiry.

Paving specifications were revised by the Board of Local Improvements to some extent, although by no means to the degree recommended by Mr. Whinery. An additional force of inspectors was added to the staff of the Board of Local Improvements, with a view of securing more faithful performance of contract obligations. It is doubtful, however, whether this additional number very materially improved the situation. Although business methods of the Police Department were found in better condition than anywhere else, Chief Steward made a vigorous and successful effort to improve the system still further.

As a result of the frauds disclosed in purchase of coal, the auditing of bills was transferred to the comptroller's office, and provision made for central audit in that department. This will, at any rate, prevent the careless kind of an audit made by the retired officers in the Fire Department, and should ensure more careful and expert scrutiny of bills against the city.

After the commission began an inquiry into the rates of interest received by the city upon the public funds, the comptroller discovered that he could secure one-quarter to one-half of one per cent more in the way of interest than he had previously received. The rate was raised from two per cent to an average of  $2\frac{1}{4}$  per cent, thus increasing the revenue of the city by about \$50,000 a year. A bill authorizing the investment of city funds in anticipation of tax warrants was also prepared and has just been passed. This will make possible an annual saving of about \$200,000.

An indirect result of the activity of the commission was the establishment of the Efficiency Division in the Civil Service Commission. This bureau was organized for the purpose of studying conditions in the several departments, and of making suggestions for improvement. If this work were carefully and impartially conducted and adequately supported, it would effect important changes in the city service.

On the other hand, important changes suggested by the commission were not made, as they could have been with the sincere and earnest co-operation of the administration in our work. After

demoralized conditions were disclosed in the City Purchasing Agent's office, the head of the department was permitted to remain undisturbed. In spite of the deplorable and dangerous conditions revealed in the Department of Buildings, the head of that department was not relieved of his grave responsibilities. Had the recommendations of the commission been vigorously taken up by the city government and an aggressive policy pursued, much more sweeping changes might have been made, to the great benefit of the taxpayer and the public. In individual cases where such co-operation was secured, progress made was rapid and marked.

When the 1911 budget was presented to the council, I presented amendments which would have reduced the pay-roll obligations of the city about \$100,000 per year. These were voted down, however, and the superfluous positions were continued at the expense of the public.

### *Criminal Prosecutions*

Over criminal prosecution the commission had no control. The commission had no power to compel the attendance and testimony of witnesses, excepting city employees; or to compel the production of books, documents, and papers, other than those of the city. The commission had no power to prosecute anyone, or to begin a civil suit. It was purely an advisory body, entirely dependent upon the city and the county for the execution of its recommendations. All of the commission's material was given promptly to the state attorney for Cook County. A stenographic copy of all hearings was sent to that officer. At many of the hearings a representative of the state attorney was present, at my request, and all evidence or clues that might in any way assist the course of criminal justice were presented. The chairman and the attorney for the commission consulted with the state's attorney, our investigations were used before the Grand Jury, and otherwise no step left untried to bring the guilty to punishment. The indifferent handling of the cases by the state attorney's office produced indictments, but no convictions.

### *Sources of Loss*

From the observations made in the various bureaus and departments, it is clear that a great gain could be made in most classes of city expenditures under proper management. With a properly

selected purchasing agent, careful attention to the letting of contracts and their enforcement, and with careful organization and supervision of the working force of the city, very material economy could be effected.

The three great sources of loss disclosed are outright graft or stealing, political favoritism, and lack of proper system. The dividing line between these three is not always clearly marked and they very often shade into each other. It is an easy step from a lax system to political favoritism, and it is an easy step from political favoritism to plain graft. Lack of system fosters political favoritism and graft, and at the same time political favoritism stands in the way of proper methods of organization and supervision. We may say that if graft and politics were eliminated the introduction of business methods would be comparatively easy; and on the other hand we may say that with a proper type of system, both political favoritism and theft would be made more difficult. Eliminate these three great types of waste, establish the principle of absolute integrity and efficiency, drive out politics from the administrative departments, emphasize the importance of economy and efficiency, and the taxpayer's dollar would go much farther than it now does.

An important problem barely started by the commission was that of departmental reorganization. At present the number of departments is so great, and their work so badly organized that the resulting loss in economy and efficiency is great. As things now stand, there are more independent heads of departments in Chicago than there are in the government of the United States. A simpler form of organization could undoubtedly be worked out to the very great advantage of the administration and the city. One of the chief advantages of the commission form of government has been the definiteness with which power and responsibility may be located. So far as the administration is concerned, many of these advantages might be gained by simplifying the organization of the several bureaus and departments and by more careful co-ordination of their work.

#### *Chicago Bureau of Public Efficiency*

The Chicago Bureau of Public Efficiency was organized in 1910 to continue the work of the commission on city expenditures, with

reference to the city government, and to extend the investigation into the three park districts, the County, the Sanitary District, the Board of Education and the Public Library Board, none of which is under the jurisdiction of the city government. Mr. Julius Rosenwald was made president of the Board of Trustees, Mr. Herbert R. Sands, director, and George C. Sikes, secretary. Numerous reports have been made by this body, the most important of which are those covering the park system of Chicago, and several of the county offices.

These county reports are of especial value, not only locally, but generally, as few investigations of this kind have been made. It is probable that many of the weaknesses disclosed in the administration of Cook County are typical and characteristic of county government generally. The grewsome system of graft and waste found in the office of coroner, the padded pay rolls and antiquated methods of the Circuit and Superior Court clerks, the conditions in the sheriff's office contain much of interest and value to other counties. On the other hand, the report commendatory of the office of Recorder, and the description of methods employed there, may hold suggestions of importance for other counties.

The indirect results of fixing the attention of the community on the subject of efficient administration are striking. In the city government we erected a permanent efficiency division under the Civil Service Commission. Under the influence of the general indignation at waste of public funds, the civil service law was extended to cover the park system of Chicago and the Cook County service. In each of the three park systems and in Cook County an efficiency division has been established, and the work of reorganizing and systematizing has been begun, although by no means completed. Budget systems, contracts, accounting methods and pay rolls have received an overhauling in the last three years such as they have never known in the history of the city. The people and their officials have come to think more clearly and to move more swiftly in the direction of economy and efficiency than at any other period in our municipal life.

#### *Importance of Continued Investigation*

The value of persistent effort in the direction of economical and efficient administration is shown by some of the work done by

this bureau. For example, one of the reports of the commission on city expenditures showed the urgent need for an electrolytical survey, but no action was taken. The bureau published another report on this subject calling attention to the previous one, and to present conditions, and as a result the city undertook the survey. One of the reports of the commission on city expenditures showed that the city's specifications for wood block paving were so drawn as to invite monopoly, with higher prices and poorer pavement. No action having been taken, the bureau issued a supplementary report again calling attention to these facts; and this time a modification of the specifications was secured. A report of the commission called attention to the defective and expensive system of repairing asphalt pavements. No adequate action was obtained, and the bureau made another investigation of the conditions, suggesting that the city consider whether it would not be better policy to make asphalt repairs itself. In the last city budget, an appropriation was made for a municipal asphalt repairing plant.

It is true that results are not always secured even on a second report, but frequently they are. In any event, continuous attention on the part of some competent agency to any branch of public administration provides a support for the official who is trying to serve the public, and is a standing menace to the corrupt or incompetent. Hitherto the one steady and persistent force has been that of some private or political interest. It is just as important to uphold and protect the honest and capable official, as it is to punish the dishonest and weed out the incompetent. Many of the important results we have accomplished locally have come as a result of the action of officials who have hitherto lacked "support" in their desire to improve the service. Men naturally prefer to head an efficient bureau or department rather than an inefficient one, and if political or private pressure is removed or counteracted, they will take a degree of pride in the public work entrusted to their charge.

One of the most significant hearings before the commission on city expenditures was that in which a high city official showed how suggestion after suggestion of his had been blocked by political or other influences, until finally he had become utterly discouraged and had ceased to put forth his energies aggressively for the im-

provement of the service. His case is only typical of others here and elsewhere.

The steady work of these agencies of investigation is slowly raising the standards of service in our municipalities. They are educating the taxpayer and citizen to watch where his dollar goes. They are turning the spotlight on graft; they are making political favoritism unprofitable politically; they are directing public officials to the task of overhauling antiquated, lax and wasteful methods; they are helping to make city government an efficient instrument in the service of the community.